

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF CARLETON	County MONROE
Fiscal Year End 2/28/06	Opinion Date 4/24/06	Date Audit Report Submitted to State 6/28/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).



Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC		Telephone Number 734-241-7200	
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
			Zip 48161
Authorizing CPA Signature 		Printed Name DEBORAH A. SABO	License Number 1101025211

VILLAGE OF CARLETON
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

February 28, 2006

VILLAGE OF CARLETON

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Independent Auditor's Report

President and Village Council
Village of Carleton
Carleton, Michigan 48117

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carleton, Monroe County, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Carleton, Monroe County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Carleton, Monroe County, Michigan as of February 28, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 36 through 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

President and Village Council
Village of Carleton

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Carleton, Monroe County, Michigan's basic financial statements. The comparative, the combining, and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The comparative, the combining, and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cooley Hehl Wohlgamuth & Carlton

April 24, 2006

VILLAGE OF CARLETON

Management's Discussion and Analysis *February 28, 2006*

This section of the Village of Carleton's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 28, 2006. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, Internal Service Fund, and Enterprise Fund.

The Governmental Accounting Standards Board (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of Carleton financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's most significant funds - the General Fund, the Major Street Special Revenue Fund, the Local Street Special Revenue Fund, and the Sewage Disposal Fund. All other funds are presented in one column as nonmajor funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Village acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

Budgetary Information for Major Funds
(Required Supplemental Information)

Other Supplemental Information

VILLAGE OF CARLETON

Management's Discussion and Analysis *February 28, 2006*

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 10-12), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. However, the Village's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Village, which encompass all of the Village's services, including general government services, public safety, public works, recreation and cultural, and sewage disposal services. Property taxes, state grants, and capital contributions finance most of these activities.

Fund Financial Statements

The Village's Fund Financial Statements (pages 13-22) provide detailed information about the most significant or "major" funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches as described below:

Governmental funds - Many of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 16.

Proprietary fund - A Proprietary Fund is used to account for business-type activities of the Village which consists of the Sewage Disposal Fund. This fund accounts for the services provided by the Village where the Village charges customers for the services it provides. This fund uses accrual accounting; the same method used by private sector business. An internal service fund is used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its equipment rental activity. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

VILLAGE OF CARLETON

Management's Discussion and Analysis February 28, 2006

Fund Financial Statements - Concluded

Fiduciary funds - An Agency Fund is used to account for the Village's payroll and related payroll taxes and for assets held by the Village as an agent for the collection and disbursement of property taxes.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of February 28, 2006:

Table 1:

Condensed Statement of Net Assets February 28, 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$1,610,856	\$1,484,068	\$1,384,341	\$1,359,050	\$2,995,197	\$2,843,118
Capital assets	272,407	315,491	8,858,974	8,956,429	9,131,381	9,271,920
Total Assets	1,883,263	1,799,559	10,243,315	10,315,479	12,126,578	12,115,038
Current and other liabilities	48,530	68,892	317,943	299,549	366,473	368,441
Long-term liabilities	36,923	34,776	4,315,000	4,550,000	4,351,923	4,584,776
Total Liabilities	85,453	103,668	4,632,943	4,849,549	4,718,396	4,953,217
Net Assets						
Invested in capital						
assets, net of related debt	272,407	315,491	4,308,974	4,176,429	4,581,381	4,491,920
Restricted for:						
Drug enforcement	2,140	0	0	0	2,140	0
Streets and highways	777,989	702,899	0	0	777,989	702,899
Park	43,405	18,217	0	0	43,405	18,217
Unrestricted	701,869	659,284	1,301,398	1,289,501	2,003,267	1,948,785
Total Net Assets	\$1,797,810	\$1,695,891	\$5,610,372	\$5,465,930	\$7,408,182	\$7,161,821

As depicted in Table 1, the Village's net assets were \$7.4 million at February 28, 2006. Of this amount, a positive \$2.0 million was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund and the Sewage Disposal Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended February 28, 2006.

VILLAGE OF CARLETON

Management's Discussion and Analysis February 28, 2006

Government-Wide Financial Analysis - Concluded

Table 2:

Changes in Net Assets Year Ended February 28, 2006

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$140,471	\$165,956	\$473,377	\$465,034	\$613,848	\$630,990
Operating grants and contributions	143,998	149,675	0	0	143,998	149,675
Capital grants and contributions	22,620	0	0	0	22,620	0
	307,089	315,631	473,377	465,034	780,466	780,665
General revenues						
Property taxes	354,475	325,697	0	0	354,475	325,697
State grants	245,214	250,192	0	0	245,214	250,192
Other general revenues	67,520	25,029	299,811	332,807	367,331	357,836
	667,209	600,918	299,811	332,807	967,020	933,725
Total Revenues	974,298	916,549	773,188	797,841	1,747,486	1,714,390
Functions/Program Expenses						
Legislative	6,565	6,827	0	0	6,565	6,827
General government	189,587	160,531	0	0	189,587	160,531
Public safety	338,333	285,954	0	0	338,333	285,954
Public works	285,857	270,670	0	0	285,857	270,670
Recreation and cultural	52,037	55,134	0	0	52,037	55,134
Sewer	0	0	628,746	609,636	628,746	609,636
Total Expenses	872,379	779,116	628,746	609,636	1,501,125	1,388,752
Increase (Decrease) in Net Assets	\$101,919	\$137,433	\$144,442	\$188,205	\$246,361	\$325,638

As indicated in Table 2, the cost of *all governmental* activities this year was \$872,379. Of this amount, \$307,089 was subsidized with revenue generated from charges for services, grants and other contributions with the remaining costs financed with general revenues.

As indicated in Table 2, the cost of *all business-type* activities this year was \$628,746. The sewer system is financed by charges to the Village customers.

The Village experienced an increase in net assets of \$246,361. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances for the governmental activities to the change in net assets appears on page 16.

VILLAGE OF CARLETON

Management's Discussion and Analysis *February 28, 2006*

Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of Carleton is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the governmental funds reported a combined fund balance of \$1,457,372, which is an increase of \$123,921 from last year. The changes in the General Fund and Special Revenue Funds are as follows:

	General Fund	Special Revenue Funds	Total
Fund balances - Beginning of year	\$619,347	\$714,104	\$1,333,451
Increase (decrease)	16,631	107,290	123,921
Fund balances – End of year	<u>\$635,978</u>	<u>\$821,394</u>	<u>\$1,457,372</u>

The Village's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	February 28, 2006	February 28, 2005	Percent Change
Revenues			
Property taxes	\$354,475	\$325,697	8.84%
Licenses and permits	72,729	61,900	17.49%
State grants	247,146	251,925	(1.90)%
Charges for services	906	332	172.89%
Interest	14,748	6,425	129.54%
Other	<u>26,403</u>	<u>34,517</u>	(23.51)%
Total Revenues	<u>\$716,407</u>	<u>\$680,796</u>	5.23%

The Village's revenues increased from \$680,796 in 2005 to \$716,407 in 2006 due to the increase in property tax revenue which is the result of an increase in the taxable value and a slight increase in the millage rate. Also, there was a significant increase in license and permit revenue due to the new construction in the Village.

VILLAGE OF CARLETON

Management's Discussion and Analysis *February 28, 2006*

Fund Financial Analysis – Concluded

Expenditures	February 28, 2006	February 28, 2005	Percent Change
Legislative	\$ 5,513	\$ 5,911	(6.73)%
General government	116,414	101,148	15.09%
Public safety	227,732	235,013	(3.10)%
Public works	140,101	128,435	9.08%
Recreation and cultural	624	616	1.30%
Other	194,392	165,492	17.46%
Operating transfers out	15,000	15,000	0.00%
Total Expenditures	<u>\$699,776</u>	<u>\$651,615</u>	7.39%

The Village's expenditures increased from \$651,615 in 2005 to \$699,776 in 2006 because of an increase of expenditures in almost all functions of government which is illustrated in the table above. The most notable increases were for clerk, the department of public works, hospitalization insurance, worker's compensation, and retirement. The expenditures for clerk increased by \$8,653 (20.75%) due to an addition of a part-time employee; department of public works increased by \$9,944 (14.57%); hospitalization insurance increased by \$16,008 (22.86%); worker's compensation increased by \$3,167 (44.86%); and retirement increased by \$6,386 (76.44%).

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Village Board to adopt the original budget for the upcoming fiscal year prior to March 1, the start of the fiscal year. Over the course of the year, the Village revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Revisions to the General Fund original budget were as follows:

Revenues - The original budget of \$682,500 was amended to \$700,000 during the year. The final budget reflects amendments to increase state shared revenue, licenses and permits revenue, and interest income. There were budget amendments to reduce property taxes and other revenue. These changes resulted in a net increase in revenues of \$17,500.

Expenditures - The original budget of \$702,000 was amended to \$711,300 during the year. The increase of expenditures by \$9,300 was primarily attributed to the amendments to increase the expenditure for public works by \$11,600, an increase in general government of approximately \$11,700, and a reduction in public safety of approximately \$16,700.

VILLAGE OF CARLETON

Management's Discussion and Analysis February 28, 2006

Capital Asset and Debt Administration

Capital Assets

At February 28, 2006, the Village had \$11,371,967 invested in a broad range of capital assets, including land, building and improvements, machinery and equipment, and vehicles. The addition of \$282,308 was for the completion of the Ann Street sewer main. Deletion of \$198,002 was for the completion of the construction in progress for the Ann Street sewer main. No new debt was issued for these additions. Depreciation for this year totaled \$224,845. Details regarding capital assets are included in Note 6 to the financial statements.

Debt

At February 28, 2006, the Village's debt for the Sewage Disposal System No. 3 bonds was \$4,550,000. The bonds are paid with charges for services. Details regarding debt are included in Note 8 to the financial statements.

Development of the 2007 Fiscal Year Budget

Our elected officials consider many factors when setting the Village's 2007 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget. The budget for taxes was increased by approximately 8 percent over the prior year's budget. Also, the budget for state shared revenue remained the same. The Village has budgeted expenditures at \$740,000. This is an increase of \$28,700 (4%) over the prior year. Increases are in the areas of public safety, hospitalization insurance, and retirement contributions.

Contacting Village of Carleton's Business Office

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of Carleton Clerk, 1230 Monroe, P.O. Box 376, Carleton, MI 48117.

VILLAGE OF CARLETON

Statement of Net Assets *February 28, 2006*

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$1,413,573	\$889,336	\$2,302,909
Accounts receivable	58,479	37,493	95,972
Assessment receivable	0	39,375	39,375
Due from other governmental units	81,524	61,873	143,397
Advances to other funds	18,500	0	18,500
Prepaid expenses	38,780	0	38,780
Restricted assets:			
Cash with fiscal agent	0	292,549	292,549
Cash and certificate of deposit	0	63,715	63,715
Depreciable capital assets, net	272,407	8,858,974	9,131,381
 Total Assets	 1,883,263	 10,243,315	 12,126,578
Liabilities			
Accounts payable	11,572	29,833	41,405
Due to other funds	0	3,676	3,676
Due to other governments	10,341	2,038	12,379
Payables from restricted assets:			
Contracts payable - current portion	0	235,000	235,000
Accrued interest	0	47,396	47,396
Other liabilities	26,617	0	26,617
Long-term liabilities:			
Due in more than one year	36,923	4,315,000	4,351,923
 Total Liabilities	 85,453	 4,632,943	 4,718,396
Net Assets			
Invested in capital assets, net of related debt	272,407	4,308,974	4,581,381
Restricted:			
Drug enforcement	2,140	0	2,140
Streets and highways	777,989	0	777,989
Park	43,405	0	43,405
Unrestricted	701,869	1,301,398	2,003,267
 Total Net Assets	 \$1,797,810	 \$5,610,372	 \$7,408,182

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Statement of Activities *Year Ended February 28, 2006*

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Legislative	\$6,565	\$0	\$0	\$0
General government	189,587	80,235	0	0
Public safety	338,333	15,699	1,932	0
Public works	285,857	44,537	127,066	0
Recreation and cultural	52,037	0	15,000	22,620
Total Governmental Activities	872,379	140,471	143,998	22,620
Business-type activities:				
Sewage disposal	628,746	473,377	0	0
Total primary government	<u>\$1,501,125</u>	<u>\$613,848</u>	<u>\$143,998</u>	<u>\$22,620</u>

General Revenues:

Property taxes
 State grants
 Debt service and connection charges
 Special assessments
 Interest and investment earnings
 Other

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets Primary Government		
Governmental Activities	Business-type Activities	Total
(\$6,565)	\$0	(\$6,565)
(109,352)	0	(109,352)
(320,702)	0	(320,702)
(114,254)	0	(114,254)
(14,417)	0	(14,417)
(565,290)	0	(565,290)
0	(155,369)	(155,369)
(565,290)	(155,369)	(720,659)
354,475	0	354,475
245,214	0	245,214
0	220,871	220,871
0	45,000	45,000
38,084	33,940	72,024
29,436	0	29,436
667,209	299,811	967,020
101,919	144,442	246,361
1,695,891	5,465,930	7,161,821
\$1,797,810	\$5,610,372	\$7,408,182

VILLAGE OF CARLETON

Governmental Funds Balance Sheet February 28, 2006

	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$519,992	\$584,832	\$177,398	\$70,934	\$1,353,156
Accounts receivable	54,803	0	0	0	54,803
Due from other governmental units	81,524	0	0	0	81,524
Due from other funds	115	0	0	0	115
Prepaid expense	38,780	0	0	0	38,780
Advance to other funds	18,500	0	0	0	18,500
 Total Assets	 \$713,714	 \$584,832	 \$177,398	 \$70,934	 \$1,546,878
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$11,212	\$0	\$360	\$0	\$11,572
Due to other funds	29,696	6,834	4,446	0	40,976
Due to other governmental units	10,211	65	65	0	10,341
Other liabilities	26,617	0	0	0	26,617
 Total Liabilities	 77,736	 6,899	 4,871	 0	 89,506
Fund Balances					
Reserved for drug enforcement	2,140	0	0	0	2,140
Reserved for prepaid expenses	38,780	0	0	0	38,780
Reserved for advances	18,500	0	0	0	18,500
Unreserved:					
Designated for unemployment claim	2,000	0	0	0	2,000
Undesignated, reported in:					
General Fund	574,558	0	0	0	574,558
Special Revenues Funds	0	577,933	172,527	70,934	821,394
 Total Fund Balances	 635,978	 577,933	 172,527	 70,934	 1,457,372
 Total Liabilities and Fund Balances	 \$713,714	 \$584,832	 \$177,398	 \$70,934	 \$1,546,878

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Year Ended February 28, 2006*

Total Fund Balances - Governmental Funds		\$1,457,372
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	336,578	
Accumulated depreciation	<u>(123,881)</u>	
		212,697
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(36,923)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities.		
		<u>164,664</u>
Total Net Assets - Governmental Activities		<u>\$1,797,810</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended February 28, 2006

	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$354,475	\$0	\$0	\$0	\$354,475
Licenses and permits	72,729	0	0	0	72,729
State grants	247,146	85,711	41,355	0	374,212
Local unit contributions	0	0	0	15,000	15,000
Charges for services	906	0	0	0	906
Fines and forfeits	7,280	0	0	0	7,280
Interest income	14,748	16,685	4,660	360	36,453
Other revenue	19,123	0	0	46,302	65,425
Total Revenues	716,407	102,396	46,015	61,662	926,480
Expenditures					
Current Operating:					
Legislative	5,513	0	0	0	5,513
General government	116,414	0	0	0	116,414
Public safety	227,732	0	0	0	227,732
Public works	140,101	23,358	43,257	0	206,716
Recreation and cultural	624	0	0	51,168	51,792
Other	194,392	0	0	0	194,392
Total Expenditures	684,776	23,358	43,257	51,168	802,559
Excess (Deficiency) of Revenues Over Expenditures	31,631	79,038	2,758	10,494	123,921
Other Financing Sources (Uses)					
Operating transfers in	0	0	0	15,000	15,000
Operating transfers out	(15,000)	0	0	0	(15,000)
Total Other Financing Sources (Uses)	(15,000)	0	0	15,000	0
Net Change in Fund Balances	16,631	79,038	2,758	25,494	123,921
Fund Balances - Beginning of year	619,347	498,895	169,769	45,440	1,333,451
Fund Balances - End of year	<u>\$635,978</u>	<u>\$577,933</u>	<u>\$172,527</u>	<u>\$70,934</u>	<u>\$1,457,372</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended February 28, 2006*

Total Net Change in Fund Balances - Governmental Funds		\$123,921
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures;		
in the statement of activities, these costs are allocated over their		
estimated useful lives as depreciation:		
Depreciation expense	(16,196)	
Capital outlay	<u>0</u>	
		(16,196)
Increases in the liability for compensated absences are reported as		
expenditures in the statement of activities; but not in the		
governmental funds		(2,147)
Internal Service Funds are used by management to charge the costs of		
certain activities to individual funds. The net revenue of the internal		
service fund is reported with governmental activities.		<u>(3,659)</u>
Change in Net Assets of Governmental Activities		<u>\$101,919</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Proprietary Funds Statement of Net Assets February 28, 2006

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
Assets		
Current Assets:		
Cash and certificate of deposit	\$889,336	\$60,417
Accounts receivable - Sewage accounts	27,098	0
Accounts receivable	10,395	0
Assessment receivable	39,375	
Due from other funds	0	44,537
Due from other governmental units	61,873	0
	<hr/>	<hr/>
Total Current Assets	1,028,077	104,954
Restricted Assets:		
Cash with fiscal agent	292,549	0
Cash and certificates of deposit:		
Operating and Maintenance Fund	49,400	0
Debt Retirement Fund	14,315	0
	<hr/>	<hr/>
	63,715	0
	<hr/>	<hr/>
Total Restricted Assets	356,264	0
Capital Assets		
Land	112,003	0
Sewer mains	810,214	0
Service connections	73,006	0
Oxidation ponds and equipment	1,284,210	0
Wastewater treatment plant	8,513,375	0
Machinery & Equipment	0	242,581
	<hr/>	<hr/>
	10,792,808	242,581
Less: Accumulated depreciation	1,933,834	182,871
	<hr/>	<hr/>
Net Capital Assets	8,858,974	59,710
	<hr/>	<hr/>
Total Assets	10,243,315	164,664
	<hr/>	<hr/>

See accompanying notes to the basic financial statements.

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Sewage Disposal Fund	Equipment Fund
Liabilities		
Current liabilities (payable from current assets):		
Accounts payable	\$29,833	\$0
Due to other funds	3,676	0
Due to other governments	2,038	0
Total Current Liabilities (payable from current assets)	35,547	0
Current liabilities (payable from restricted assets):		
Contracts payable - current portion	235,000	0
Accrued interest	47,396	0
Total Current Liabilities (payable from restricted assets)	282,396	0
Long-Term Liabilities:		
Contracts payable - non-current portion	4,315,000	0
Total Long-Term Liabilities	4,315,000	0
Total Liabilities	4,632,943	0
Net Assets		
Invested in capital assets, net of related debt	4,308,974	59,710
Unrestricted	1,301,398	104,954
Total Net Assets	\$5,610,372	\$164,664

VILLAGE OF CARLETON

Proprietary Funds *Statement of Revenues, Expenses, and Changes in Fund Net Assets* *Year Ended February 28, 2006*

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
Operating Revenues		
Charges for services	\$473,377	\$0
Equipment rentals	0	44,537
Total Operating Revenues	473,377	44,537
Operating Expenses		
Depreciation	181,761	26,888
Sewer processing and maintenance	285,186	0
General office and administrative	47,134	2,300
Maintenance and operations	0	21,597
Total Operating Expenses	514,081	50,785
Net Operating Income (Loss)	(40,704)	(6,248)
Non-Operating Revenues (Expenses)		
Sewer tap fees - construction	12,500	0
Sewer tap fees - debt	208,371	0
Special assessments	45,000	0
Interest income	33,940	1,631
Interest expense	(114,229)	0
Paying agent fees	(436)	0
Other expense	0	(692)
Gain on disposal of capital assets	0	1,650
Total Non-Operating Revenues (Expenses)	185,146	2,589
Change in Net Assets	144,442	(3,659)
Net Assets - Beginning of year	5,465,930	168,323
Net Assets - End of year	\$5,610,372	\$164,664

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Proprietary Funds Statement of Cash Flows Year Ended February 28, 2006

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
Cash Flows from Operating Activities:		
Receipts from customers	\$445,663	\$43,502
Payments to suppliers	(309,969)	(24,899)
Payments to Internal Service Fund and administration fees	(6,561)	(1,200)
Net cash provided (used) by operating activities	129,133	17,403
Cash Flows from Noncapital Financing Activities:		
Special assessments	45,000	0
Other expense	0	(692)
Net cash provided (used) from noncapital financing activities	45,000	(692)
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(84,306)	0
Gain on sale of capital asset	0	1,650
Principal payments on contracts payable	(230,000)	0
Interest paid	(116,625)	0
Paying agent fees	(436)	0
Debt service and connection charges	220,871	0
Net cash provided (used) for capital and related financing activities	(210,496)	1,650
Cash Flows from Investing Activities:		
Interest income	33,940	1,631
Net Increase (Decrease) in Cash and Cash Equivalents	(2,423)	19,992
Cash and Cash Equivalents - Beginning of Year	1,248,023	40,425
Cash and Cash Equivalents - End of Year	<u>\$1,245,600</u>	<u>\$60,417</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Proprietary Funds Statement of Cash Flows Year Ended February 28, 2006

	Business-type Activities Enterprise Fund Sewage Disposal Fund	Governmental Activities Internal Service Fund Equipment Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	(\$40,704)	(\$6,248)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	181,761	26,888
Changes in operating assets and liabilities		
(Increase) decrease accounts receivable	(46,204)	1,010
(Increase) decrease due from other funds	0	(2,045)
(Increase) decrease due from other governments	18,490	0
Increase (decrease) accounts payable	17,453	(2,202)
Increase (decrease) due to other funds	(537)	0
Increase (decrease) due to other governments	(1,126)	0
Net cash provided (used) by operating activities	<u>\$129,133</u>	<u>\$17,403</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Agency Funds
Statement of Fiduciary Net Assets
February 28, 2006

	Agency Payroll	Tax Collection	Totals
Assets			
Cash	\$21,877	\$2,224	\$24,101
Due from other governmental units	7,996	0	7,996
Total Assets	<u>\$29,873</u>	<u>\$2,224</u>	<u>\$32,097</u>
Liabilities			
Salaries and payroll taxes payable	\$7,930	\$0	\$7,930
Due to other governmental units	3,443	2,224	5,667
Advance from General Fund	18,500	0	18,500
Total Liabilities	<u>\$29,873</u>	<u>\$2,224</u>	<u>\$32,097</u>

See accompanying notes to the basic financial statements.

VILLAGE OF CARLETON

Notes to Financial Statements *Year Ended February 28, 2006*

Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected six member Board form of government. The Village provides the following services: public safety (police), highways and streets, sanitation, recreation and cultural, public improvements, planning and zoning, general administrative services, and sewage disposal services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of Carleton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Village's accounting policies.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The Village's government-wide activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds, the proprietary fund, and agency funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and the individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 28, 2006

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

Agency fund statements also are reported using the economic resources measurement focus and cash basis of accounting.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The Village reports the following major proprietary fund:

The Sewage Disposal Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and retirement of debt. Financing is provided by user charges.

Additionally, the Village reports the following Internal Service Fund type:

The Equipment Fund accounts for the financing and maintenance of machinery and equipment used by other Village departments. Such costs are billed to the other departments at rates established by the State of Michigan.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 28, 2006

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

The Village reports the following nonmajor governmental funds:

The Municipal Street Fund and the Ash-Carleton Park Fund are the Village's nonmajor governmental funds. These funds are used to account for specific revenue sources that are restricted for a particular purpose.

In accordance with GASB Statement 20 the Village has elected not to apply the FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent August 31 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond February 28, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, water or sewer lines) are reported in the appreciable governmental or business-type activities columns of the government wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 28, 2006

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and buildings improvements	20-50 years
Machinery and equipment	5-10 years
Vehicles	5-8 years
Sewer lines	50-99 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 28, 2006

Note 2 Summary of Significant Accounting Policies (Concluded)
Basis of Presentation (Concluded)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Compensated Absences - Village employees are granted vacation and sick leave. The vacation and sick leave is accrued in the government wide financial statements. In the fund financial statements, these amounts are reported when paid.

D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to February 28, the fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing on March 1.
2. A public hearing is conducted during February to obtain taxpayer comments.
3. Prior to February 28, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget deemed necessary are approved by the Village Council.
5. Budgets are adopted on basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 28, 2006*

Note 3 Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

Note 4 Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At February 28, 2006, the Village had invested in such a fund with a local bank. The Village is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash. The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Board has adopted an investment policy authorizing certain types of investments and authorized two depositories: Monroe Bank and Trust and LaSalle Bank.

Interest rate risk. The Villages's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Villages's investment policy.

Concentration of credit risk. The Village does not place any limits on the amount the Village may deposit or invest in any one issuer.

VILLAGE OF CARLETON

Notes to Financial Statements Year Ended February 28, 2006

Note 4

Deposits (Concluded)

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover the collateral securities in the possession of an outside party. The Village has \$2,419,239 invested in certificates of deposit, checking accounts, and money markets. The Villages's deposits are insured by the FDIC in the amount of \$200,000, with uninsured deposits of \$2,219,239. The Villages's deposits are at institutions with an established record of fiscal health and service. The Village Board approves and designates a list of authorized depository institutions. The Villages's investment policy does not address deposit risk.

Foreign currency risk. The Village is not authorized to invest in investments which have this type of risk.

Note 5

Interfund Receivables and Payables

Balances at February 28, 2006 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:	\$ 115	
Sewer Fund		
Equipment Fund		\$29,696
Major Street Fund:		
Equipment Fund		6,834
Local Street Fund:		
Equipment Fund		4,446
Sewer Fund:		
General Fund		115
Equipment Fund		3,561
Equipment Fund:		
General Fund	29,696	
Major Street Fund	6,834	
Local Street Fund	4,446	
Sewer Fund	<u>3,561</u>	
Totals	<u>\$44,652</u>	<u>\$44,652</u>

VILLAGE OF CARLETON

Notes to Financial Statements *Year Ended February 28, 2006*

Note 6

Capital Assets

A summary of changes in capital assets follows:

	Balance March 1, 2005	Additions	Deletions	Balance February 28, 2006
Governmental Activities				
Assets not being depreciated:				
Land	\$83,002	\$0	\$0	\$83,002
Capital assets being depreciated:				
Building and building improvements	110,501	0	0	110,501
Police vehicles	41,146	0	0	41,146
Police equipment	31,610	0	0	31,610
Office equipment	9,737	0	0	9,737
DPW equipment	60,582	0	0	60,582
Equipment Fund	242,581	0	0	242,581
Total capital assets	579,159	0	0	579,159
Less accumulated depreciation for:				
Building and building improvements	(28,388)	(2,525)	0	(30,913)
Police vehicles	(10,429)	(5,143)	0	(15,572)
Police equipment	(5,446)	(4,516)	0	(9,962)
Office equipment	(5,465)	(1,387)	0	(6,852)
DPW equipment	(57,957)	(2,625)	0	(60,582)
Equipment Fund	(155,983)	(26,888)	0	(182,871)
Total accumulated depreciation	(263,668)	(43,084)	0	(306,752)
Net capital assets	\$315,491	(\$43,084)	\$0	\$272,407
Business Activities				
Assets not being depreciated:				
Land	\$112,003	\$0	\$0	\$112,003
Construction in progress	113,696	84,306	(198,002)	0
Capital assets being depreciated:				
Sewer mains	612,212	198,002	0	810,214
Service connections	73,006	0	0	73,006
Oxidation ponds and equipment	1,284,210	0	0	1,284,210
Wastewater treatment	8,513,375	0	0	8,513,375
Total capital assets	10,708,502	282,308	(198,002)	10,792,808
Less accumulated depreciation for:				
Sewer mains	(199,690)	(8,655)	0	(208,345)
Service connections	(42,679)	(1,460)	0	(44,139)
Oxidation ponds and equipment	(656,607)	0	0	(656,607)
Wastewater machinery and equipment	(853,097)	(171,646)	0	(1,024,743)
Total accumulated depreciation	(1,752,073)	(181,761)	0	(1,933,834)
Net capital assets	\$8,956,429	\$100,547	(\$198,002)	\$8,858,974

VILLAGE OF CARLETON

*Notes to Financial Statements
Year Ended February 28, 2006*

Note 6

Capital Assets (Concluded)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 975
Public safety	12,596
Public works	<u>29,513</u>
 Total governmental activities	 <u>\$43,084</u>

Note 7

Interfund Transfers

Interfund transfers for the year ended February 28, 2006, consisted of the following:

	<u>Transfers Out</u>
	General
	<u>Fund</u>
<u>Transfers In</u>	
Special Revenue Funds:	
Ash-Carleton Park Fund	<u>\$15,000</u>

The transfer from the General Fund to the Ash-Carleton Park Fund was to assist in the payment of park expenditures.

Note 8

Long-Term Debt

The following is a summary of long-term debt outstanding as of February 28, 2006:

	<u>Balance</u> <u>3/01/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>02/28/06</u>	<u>Amount Due</u> <u>In One Year</u>
Contract Liability for Sewage Disposal System Bonds (Village of Carleton System No. 3) Series 2001: \$5,330,000 issue dated September 28, 2001 maturing serially in annual amounts from \$110,000 to \$340,000 and bearing interest at a rate of 2.500%.	\$4,780,000	\$ -	\$230,000	\$4,550,000	\$235,000
Compensated absences payable	<u>34,776</u>	<u>2,147</u>	<u>-</u>	<u>36,923</u>	<u>-</u>
	<u>\$4,814,776</u>	<u>\$2,147</u>	<u>\$230,000</u>	<u>\$4,586,923</u>	<u>\$235,000</u>

Compensated absences payable represents benefits for vacation and sick leave as of year end.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 28, 2006

Note 8

Long-Term Debt (Continued)

The following are schedules of remaining principal and interest requirements for these bonds as of February 28, 2006:

Contract Liability for Sewage Disposal System Bonds (Village of Carleton System No. 3) Series 2001:

<u>Due Date</u>	<u>Bond Principal</u>	<u>Interest</u>	<u>Totals</u>
4/1/06	\$ 235,000	\$ 56,875	\$ 291,875
10/1/06		53,938	53,938
4/1/07	240,000	53,938	293,938
10/1/07		50,938	50,938
4/1/08	245,000	50,938	295,938
10/1/08		47,875	47,875
4/1/09	255,000	47,875	302,875
10/1/09		44,687	44,687
4/1/10	260,000	44,687	304,688
10/1/10		41,438	41,438
4/1/11	265,000	41,438	306,438
10/1/11		38,125	38,125
4/1/12	270,000	38,125	308,125
10/1/12		34,750	34,750
4/1/13	280,000	34,750	314,750
10/1/13		31,250	31,250
4/1/14	285,000	31,250	316,250
10/1/14		27,687	27,687
4/1/15	295,000	27,687	322,687
10/1/15		24,000	24,000
4/1/16	300,000	24,000	324,000
10/1/16		20,250	20,250
4/1/17	310,000	20,250	330,250
10/1/17		16,375	16,375
4/1/18	315,000	16,375	331,375
10/1/18		12,437	12,437
4/1/19	325,000	12,437	337,437
10/1/19		8,375	8,375
4/1/20	330,000	8,375	338,375
10/1/20		4,250	4,250
4/1/21	<u>340,000</u>	<u>4,250</u>	<u>344,250</u>
	<u>\$4,550,000</u>	<u>\$969,626</u>	<u>\$5,519,626</u>

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 28, 2006

Note 8

Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at February 28, 2006, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006 - 2007	\$ 235,000	\$110,813	\$ 345,813
2007 - 2008	240,000	104,875	344,875
2008 - 2009	245,000	98,813	343,813
2009 - 2010	255,000	92,562	347,562
2010 - 2011	260,000	86,125	346,125
2011 - 2016	1,395,000	329,062	1,724,062
2016 - 2021	1,580,000	143,125	1,723,125
2021 - 2022	<u>340,000</u>	<u>4,250</u>	<u>344,250</u>
	<u>\$4,550,000</u>	<u>\$969,625</u>	<u>\$5,519,625</u>

Note 9

Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this Act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975.

Effective January 1, 1983 the Village of Carleton established a group account with the Michigan Municipal League Unemployment Compensation Group Account. The league is funded by members contributions and represents its membership before the M.E.S.C. Establishment of the group account does not relieve the Village from liability for charges attributable to service in its employ which exceed contributions to the league. As of February 28, 1994, a \$2,000 reserve has been established in the General Fund for any contingent liability. There was no expense for the period for Unemployment Insurance.

Note 10

Billing and Collection - Sewerage Accounts

Billing and collection of sewerage service, and the posting of customer accounts, are performed by Ash Township on a contractual basis. The Township charges 5% of the total collections as a fee for this service, in addition to retaining penalties collected on delinquent accounts. The fee for 2005-2006 amounted to \$18,754.

Note 11

Property Taxes

The Village bills and collects its own property taxes. For 2005, the Village tax levy was spread as follows:

	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund	8.5400	<u>\$351,873</u>

The Village's 2005 property taxes, levied on July 1, 2004 on assessed valuation as of December 31, 2004, were due and payable by August 31, 2005. Taxable values, which amounted to \$41,203,566 represent a percentage of the fair market value of the assessed property.

VILLAGE OF CARLETON

Notes to Financial Statements Year Ended February 28, 2006

Note 11 Property Taxes (Concluded)

As of February 28, 2006, delinquent taxes of \$27,096 are reflected as a receivable in the General Fund.

Note 12 Employee's Pension Plan
Plan Description

The Village of Carleton is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan (MERS), administered by the State of Michigan.

Benefit provisions and all other requirements are established by state statute and Village council resolution. All full time Village employees are eligible to participate in MERS. Benefits vest after 10 years of service. Village employees who retire at or after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.3% of a members 5 - year final average compensation. The system also provides disability retirement allowance, non duty death allowance, duty connected death and post retirement adjustments.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

General and police employees contribute 4.0% of their wages to the plan which amounted to \$9,571 for the fiscal year ending February 28, 2006. The Village is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Village's annual required contribution was \$7,867 for the fiscal year ending February 28, 2006 (3.29% of covered payroll of \$239,371). The contribution requirements of plan members and the Village are established by the Village and by the MERS Board of Trustees.

Annual Pension Cost

For the fiscal year ending February 28, 2006, the Village's annual pension cost of \$7,867 for the plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions include a) 8.0% investment rate of return, b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, c) additional projected salary increases of 0.0% to 4.5% plus a percentage, depending on age, attributable to merit, longevity and promotional and, d) assumptions that benefits will increase after retirement.

VILLAGE OF CARLETON

Notes to Financial Statements
Year Ended February 28, 2006

Note 12 Employee's Pension Plan (Concluded)

Annual Pension Cost (Concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

Three-year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension Cost</u>	<u>Percentage of</u> <u>Annual Pension</u> <u>Cost Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2/29/04	\$1,963	100%	\$ -
2/28/05	2,366	100%	-
2/28/06	7,867	100%	-

Valuation Ended December 31,

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$387,315	\$423,604	\$453,354
Actuarial accrued liability (entry age)	335,615	495,544	521,019
Unfunded AAL	(51,700)	71,940	67,665
Funded ratio	115%	85.5%	87%
Annual payroll	220,876	246,112	205,731
UAAL as a percentage of annual covered payroll	0%	29%	33%

Additional Pension Benefits

Effective March 1, 2003, the Village began contributing fifty cents per employee per hour worked and/or paid with a maximum of forty hours per week for additional pension benefits. All full-time Village employees that are members of the International Union of Operating Engineers Local 547 are eligible to participate in a defined contribution pension plan with the Central Pension Fund. Full vesting occurs immediately; benefit provisions and all other requirements are established by the union. The Village contributed \$6,873 for these additional pension benefits.

Non-union employees are not eligible to participate in the Central Pension Fund. In lieu of the Central Pension Fund benefits, the full-time non-union employees will receive fifty cents per employee per hour worked and/or paid with a maximum of forty hours per week.

Note 13 Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending February 28, 2006, of \$63,343 did not exceed the related costs and administrative overhead.

Note 14 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

VILLAGE OF CARLETON

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended February 28, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$354,000	\$351,800	\$351,878	\$78
Trailer park taxes	2,700	2,600	2,597	(3)
	<u>356,700</u>	<u>354,400</u>	<u>354,475</u>	<u>75</u>
Licenses and permits	55,800	68,200	72,729	4,529
State grants:				
State shared revenue	234,600	246,000	245,214	(786)
Liquor license fees	1,700	1,900	1,932	32
	<u>236,300</u>	<u>247,900</u>	<u>247,146</u>	<u>(754)</u>
Charges for services	300	600	906	306
Fines and forfeits	6,000	6,400	7,280	880
Interest income	10,500	12,500	14,748	2,248
Other revenue:				
Other revenue	8,500	2,200	8,223	6,023
Drug enforcement	0	0	2,140	2,140
Ordinance 168 fees	2,000	1,400	2,160	760
Administrative rents	6,400	6,400	6,600	200
	<u>16,900</u>	<u>10,000</u>	<u>19,123</u>	<u>9,123</u>
Total Revenues	682,500	700,000	716,407	16,407

VILLAGE OF CARLETON

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended February 28, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Legislative:				
Council	\$6,700	\$6,200	\$5,513	\$687
General government:				
President	5,000	5,000	4,800	200
Election	1,000	2,000	1,900	100
Audit	5,000	7,400	7,335	65
Finance officer	3,000	3,000	2,205	795
Attorney	8,000	12,400	12,014	386
Other legal	1,000	1,400	1,342	58
Clerk	49,500	51,800	50,338	1,462
Treasurer	8,000	8,000	7,851	149
Village hall and grounds	24,200	24,500	22,242	2,258
Engineering	3,500	4,400	6,387	(1,987)
	108,200	119,900	116,414	3,486
Public safety:				
Police department	226,300	204,800	200,908	3,892
Blight enforcement	2,400	2,400	2,074	326
Building inspection	16,000	17,700	16,270	1,430
Building board of appeals	200	100	0	100
Electrical inspection	2,200	2,700	2,659	41
Plumbing inspection	3,000	5,800	5,591	209
Planning commission	200	200	140	60
Zoning board	200	100	90	10
	250,500	233,800	227,732	6,068
Public works:				
Department of public works	66,000	77,000	78,173	(1,173)
Streetlights	21,500	21,500	21,282	218
Sanitation	40,200	40,800	40,646	154
	127,700	139,300	140,101	(801)

VILLAGE OF CARLETON

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended February 28, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Expenditures(Concluded)				
Recreation and cultural:				
Administration	\$600	\$700	\$624	\$76
Other:				
Hospitalization insurance	86,000	86,200	86,021	179
Life insurance	4,700	4,900	4,769	131
Social security	26,400	26,900	26,486	414
Insurance	52,500	52,900	52,079	821
Unemployment insurance	300	200	70	130
Worker's compensation insurance	8,000	10,300	10,227	73
Retirement	15,400	15,000	14,740	260
	<u>193,300</u>	<u>196,400</u>	<u>194,392</u>	<u>2,008</u>
Total Expenditures	<u>687,000</u>	<u>696,300</u>	<u>684,776</u>	<u>11,524</u>
Excess (Deficiency) of				
Revenues Over Expenditures	(4,500)	3,700	31,631	27,931
Other Financing Sources (Uses)				
Operating transfer out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>0</u>
Net Change in Fund Balances	<u>(19,500)</u>	<u>(11,300)</u>	<u>16,631</u>	<u>27,931</u>
Fund Balances - Beginning of year	<u>601,366</u>	<u>601,366</u>	<u>619,347</u>	<u>17,981</u>
Fund Balances - End of year	<u><u>\$581,866</u></u>	<u><u>\$590,066</u></u>	<u><u>\$635,978</u></u>	<u><u>\$45,912</u></u>

VILLAGE OF CARLETON

Major Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended February 28, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
State grants	\$89,000	\$85,000	\$85,711	\$711
Interest income	5,000	14,000	16,685	2,685
Total Revenues	94,000	99,000	102,396	3,396
Expenditures				
Public works:				
Construction	35,000	0	0	0
Routine maintenance/preservation	13,500	13,500	14,766	(1,266)
Traffic services	14,000	14,000	1,159	12,841
Winter maintenance	1,500	1,500	5,233	(3,733)
Administrative	2,300	2,300	2,200	100
Total Expenditures	66,300	31,300	23,358	7,942
Net Change in Fund Balances	27,700	67,700	79,038	11,338
Fund Balances - Beginning of year	500,710	500,710	498,895	(1,815)
Fund Balances - End of year	<u>\$528,410</u>	<u>\$568,410</u>	<u>\$577,933</u>	<u>\$9,523</u>

VILLAGE OF CARLETON

Local Street Fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* *Budget and Actual* *Year Ended February 28, 2006*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
State grants	\$43,000	\$41,000	\$41,355	\$355
Interest income	1,500	4,600	4,660	60
Other income	2,000	0	0	0
Total Revenues	46,500	45,600	46,015	415
Expenditures				
Public works:				
Construction	35,000	0	0	0
Routine maintenance/preservation	22,000	40,000	34,371	5,629
Traffic services	1,500	2,500	2,229	271
Winter maintenance	14,000	12,000	4,457	7,543
Administrative	2,300	2,300	2,200	100
Total Expenditures	74,800	56,800	43,257	13,543
Net Change in Fund Balances	(28,300)	(11,200)	2,758	13,958
Fund Balances - Beginning of year	172,726	172,726	169,769	(2,957)
Fund Balances - End of year	<u>\$144,426</u>	<u>\$161,526</u>	<u>\$172,527</u>	<u>\$11,001</u>

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF CARLETON*Nonmajor Governmental Funds
Combining Balance Sheet
February 28, 2006*

	Special Revenue Funds		
	Municipal Street Fund	Ash-Carleton Park Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$27,529	\$43,405	\$70,934
Total Assets	\$27,529	\$43,405	\$70,934
Total Liabilities and Fund Balances			
Liabilities			
Total Liabilities	\$0	\$0	\$0
Fund Balances			
Unreserved - undesignated	27,529	43,405	70,934
Total Fund Balances	27,529	43,405	70,934
Total Liabilities and Fund Balances	\$27,529	\$43,405	\$70,934

VILLAGE OF CARLETON

Nonmajor Governmental Funds *Combining Statement of Revenues, Expenditures, and Changes in Fund Balances* *Year Ended February 28, 2006*

	Special Revenue Funds		
	Municipal Street Fund	Ash-Carleton Park Fund	Total Nonmajor Governmental Funds
Revenues			
Local unit contributions	\$0	\$15,000	\$15,000
Interest income	306	54	360
Other revenue	0	46,302	46,302
Total Revenues	306	61,356	61,662
Expenditures			
Recreation and cultural	0	51,168	51,168
Total Expenditures	0	51,168	51,168
Excess (Deficiency) of Revenues Over Expenditures	306	10,188	10,494
Other Financing Sources (Uses)			
Operating transfers in	0	15,000	15,000
Net Change in Fund Balances	306	25,188	25,494
Fund Balances - Beginning of year	27,223	18,217	45,440
Fund Balances - End of year	\$27,529	\$43,405	\$70,934

VILLAGE OF CARLETON

Municipal Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended February 28, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Interest income	\$100	\$100	\$306	\$206
Total Revenues	100	100	306	206
Expenditures	0	0	0	0
Net Change in Fund Balances	100	100	306	206
Fund Balances - Beginning of year	27,221	27,221	27,223	2
Fund Balances - End of year	<u>\$27,321</u>	<u>\$27,321</u>	<u>\$27,529</u>	<u>\$208</u>

VILLAGE OF CARLETON

Ash-Carleton Park Fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* *Budget and Actual* *Year Ended February 28, 2006*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Local unit contribution	\$15,000	\$15,000	\$15,000	\$0
Interest income	0	0	54	54
Other revenue	15,000	23,700	46,302	22,602
Total Revenues	30,000	38,700	61,356	22,656
Expenditures				
Recreation and cultural:				
Administration	9,300	8,100	8,089	11
Recreational and programs	29,000	28,600	28,546	54
Park maintenance	12,000	14,500	14,533	(33)
Total Expenditures	50,300	51,200	51,168	32
Excess (Deficiency) of Revenues over Expenditures	(20,300)	(12,500)	10,188	22,688
Other Financing Sources (Uses)				
Operating transfers in	15,000	15,000	15,000	0
Net Change in Fund Balances	(5,300)	2,500	25,188	22,688
Fund Balances - Beginning of year	13,317	22,827	18,217	(4,610)
Fund Balances - End of year	<u>\$8,017</u>	<u>\$25,327</u>	<u>\$43,405</u>	<u>\$18,078</u>

VILLAGE OF CARLETON

Agency Funds Statement of Changes in Assets and Liabilities February 28, 2006

Agency - Payroll

	Balance March 1, 2005	Additions	Deductions	Balance February 28, 2006
Assets				
Cash	\$21,687	\$391,150	\$390,960	\$21,877
Due from other governmental units	24,249	0	16,253	7,996
	<u>\$45,936</u>	<u>\$391,150</u>	<u>\$407,213</u>	<u>\$29,873</u>
Liabilities				
Salaries and payroll taxes payable	\$24,725	\$391,150	\$407,945	\$7,930
Due to other governmental units	2,711	10,375	9,643	3,443
Advance from General Fund	18,500	0	0	18,500
Total Liabilities	<u>\$45,936</u>	<u>\$401,525</u>	<u>\$417,588</u>	<u>\$29,873</u>

Agency - Tax Collection Fund

Assets				
Cash	<u>\$1,130</u>	<u>\$325,871</u>	<u>\$324,777</u>	<u>\$2,224</u>
Liabilities				
Due to other governmental units	<u>\$1,130</u>	<u>\$325,871</u>	<u>\$324,777</u>	<u>\$2,224</u>

VILLAGE OF CARLETON

Sewage Disposal Fund *Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets* *Years Ended February 28, 2006 and February 28, 2005*

	2006	2005
Operating Revenues		
Charges for services:		
Sewer service	\$369,454	\$358,946
Sewer processing charge - Ash Township	103,923	106,088
Total Operating Revenues	473,377	465,034
Operating Expenses		
Maintenance of mains:		
Depreciation	8,655	8,655
Sewer processing and maintenance:		
Wages - employees	13,927	17,307
Operating supplies	966	4,889
Contractual	256,184	208,513
Engineering	10,210	28,298
Utilities	338	385
Repairs and maintenance	0	5,437
Equipment rentals	3,561	4,857
Miscellaneous	0	6,277
Depreciation	173,106	173,680
	458,292	449,643
General office and administrative:		
Audit fees	5,300	5,300
Contractual	18,754	17,929
Administrative rent charge	3,000	3,000
Miscellaneous	20,080	0
	47,134	26,229
Total Operating Expenses	514,081	484,527
Net Operating Income (Loss)	(40,704)	(19,493)
Non-Operating Revenues (Expenses)		
Sewer tap fees - construction	12,500	8,100
Sewer tap fees - debt	208,371	309,835
Special assessments	45,000	0
Interest income	33,940	14,872
Interest expense	(114,229)	(124,169)
Paying agent fees	(436)	(940)
Total Non-Operating Revenues (Expenses)	185,146	207,698
Change in Net Assets	144,442	188,205
Net Assets - Beginning of year	5,465,930	5,277,725
Net Assets - End of year	\$5,610,372	\$5,465,930



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President and Village Council
Village of Carleton
1230 Monroe Street
Carleton, Michigan 48117

Report of Comments and Recommendations

President and Members of Village Council:

Our audit of the basic financial statements of the Village of Carleton for the year ended February 28, 2006, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures, and accounting records are adequate to allow us to express our opinion on the financial statements of the Village. During the course of our audit, we noted certain practices and procedures which we believe could be changed to improve existing internal controls, accounting procedures, accounting records, and other matters.

Our comments on these items are set forth herein for your review and have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our audit and therefore do not encompass all matters that might result from special studies directed toward such matters.

Special Assessments

The Village has recorded special assessments in the Sewer Fund. The Village does not have a subsidiary ledger to record the payment history for each individual special assessment. We suggest that the Village keep a subsidiary ledger to assist in reconciling the special assessment receivable and to have access to the payoff amount.

Performance Bonds and Escrow Accounts

The Village has a number of performance bonds and escrow accounts that were not reconciled to the General Fund and Sewer Fund general ledgers. We suggest that the Village keep a spreadsheet of the activity for each performance bond and escrow account. A spreadsheet will help the Village monitor the activity and assist in reconciling these accounts to the general ledgers.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all officers and employees of the Village. We would be pleased to discuss any of these recommendations with you, and to provide any assistance that you may require in their implementation.

Very truly yours,

Cooley Hehl Wohlgamuth & Carlton

April 24, 2006